UNITED NATIONS **DP**

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/FPA/1998/10
10 July 1998

ORIGINAL: ENGLISH

Third regular session 1998
14-16 and 21-22 September 1998, New York
Item 9 of the provisional agenda
UNFPA

UNITED NATIONS POPULATION FUND

REVISION OF FINANCIAL REGULATIONS

Report of the Executive Director

1. The Financial Regulations of the United Nations Population Fund were adopted by the Governing Council at its thirtieth session, as contained in paragraph 3 of decision 83/17 of 24 June 1983. The regulations were subsequently amended by decisions 84/21, 90/36, 92/33 and 93/29, at the Council's thirty-first, thirty-seventh, thirty-ninth, and fortieth sessions, respectively, and by decision 97/7 at the Executive Board's second regular session 1997. The Executive Director hereby submits to the Executive Board, for its approval, revisions to existing regulations concerning the biennial support budget. These revisions were made necessary as a result of the harmonization of budgets by UNDP, UNFPA and UNICEF (see document DP/1997/2), in order to reflect the new terminology and structural modifications agreed to amongst the three organizations and approved by the Executive Board at its first regular session 1997.

2. The Executive Director also submits to the Board, for its approval, revisions to the financial regulations concerning procurement. These revisions arose out of the work of the Procurement Working Group of the Common Services Initiative, which is part of the reform initiative of the Secretary-General and in which UNFPA is playing an active part. The Executive Director proposes to replace current financial regulation 14.5 with an entirely new text and to add a further regulation that denotes the fundamental general principles governing procurement. This will become new regulation 14.6. Existing regulations 14.6 and 14.7 will thus be re-numbered as 14.7 and 14.8 respectively.

3. The revisions required to the financial regulations are detailed below. For ease of identification, revisions and additions to the text are shown in bold typeface and deletions are shown with a line through the text to be deleted.

Regulation 4.14: All income to UNFPA shall be classified as miscellaneous income, except:

(a) The income from the items specified in Regulations 4.1 through **4.13**;
(b) Interest income
(c) Direct refunds of expenditures in respect of projects during the approved duration of a project, i.e., before the final allocation for UNFPA assistance to a project is made;
(d) Direct refunds of expenditures in respect of the biennial **support** budget during the current biennium;
(e) Advances or deposits to trust funds;
(f) Revenue derived from the staff assessment plan; and
(g) Amounts otherwise designated to be credited to the biennial support budget, including, inter alia, income derived from UNFPA support costs and net income or expenditure related to procurement services provided to third parties.

Regulation 5.4: Funds received by UNFPA under Regulation 14.6 for procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations shall be treated as trust funds. **The income related to procurement services provided to third parties shall be used to meet the direct cost of these services. At the close of a biennium, any excess of income or expenditure shall be credited or debited to the biennial support budget.**

Regulation 8.7: Executing agencies authorized by the Executive Board may be reimbursed for their support costs up to levels determined by the **Executive Board** ~~Governing Council~~. **Income earned by UNFPA through the recovery of support costs shall be credited to the biennial support budget.**

Article IX - BIENNIAL **SUPPORT** BUDGET

Form of the proposed biennial **support** budget

Regulation 9.7: The proposed biennial **support** budget shall be **prepared in accordance with the guidelines contained in document DP/1997/2, "Harmonization of Budgets: UNDP, UNFPA and UNICEF" and any revisions thereto** ~~divided into programmes and programme components~~, and shall be accompanied by such information annexes and explanatory statements as may be requested by the Executive Board or as the Executive Director may deem necessary and useful.

Regulation 13.6: Income derived from placement of funds other than trust funds shall be credited to **the UNFPA Account** ~~miscellaneous income under the terms of Regulation 4.13~~. Income derived from investments of trust funds shall be credited in accordance with the terms and conditions of the trust funds concerned.

4. The only change required to the following regulations is the introduction of the term, "biennial **support** budget":

Regulation 2.2
Regulation 6.4
Regulation 7.3
Regulation 9.1
Regulation 9.2
Regulation 9.3
Regulation 9.4
Regulation 9.6
Regulation 9.8
Regulation 9.9
Regulation 11.1
Regulation 11.2
Regulation 14.2
Regulation 16.1

5. The following revisions refer to Procurement and Management of Property as well as to general principles governing procurement.

Article XIV - INTERNAL CONTROL

Regulation 14.5: **The Executive Director is responsible and accountable for carrying out the procurement functions of UNFPA and for managing its property effectively and efficiently, in furtherance of the mandate and activities of UNFPA.**

(a) The procurement functions of UNFPA include all actions necessary for the acquisition, by purchase or lease, of goods, real property and services, including construction.

(b) The management of property includes all actions necessary for receipt, maintenance and disposal of property of UNFPA.

(c) The Executive Director may delegate authority, as appropriate, for such procurement functions and management of property.

Regulation 14.6: **The following general principles shall be given due consideration in carrying out the procurement functions of UNFPA:**

(a) Best value for money considering all relevant factors, including costs and benefits to UNFPA;

(b) Fairness, integrity and transparency;

(c) Open and effective international competition; and

(d) The interest of UNFPA.

Regulation 14.7: Supplies, equipment and services may be provided by UNFPA under procurement arrangements on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations, where such supplies, equipment and services are required for purposes related to UNFPA activities and are consistent with the aims and policies of UNFPA, on the basis of full payment in advance of the procurement activities, to cover all costs, including insurance and service fees, connected with the procurement of such supplies, equipment and services.

Regulation 14.8: In conformity with Executive Board decision 96/3, UNFPA may procure and hold stocks of essential contraceptive products in order to promptly respond to emergency requests for assistance. The inventory value of these stock holdings shall be shown in the accounts as an asset.